House of Representatives



General Assembly

File No. 458

February Session, 2006

Substitute House Bill No. 5096

House of Representatives, April 10, 2006

The Committee on Government Administration and Elections reported through REP. CARUSO of the 126th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING ACCOUNTABILITY IN STATE ECONOMIC DEVELOPMENT ASSISTANCE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- Section 1. Section 32-11a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2006*):
 - (a) There is hereby created as a body politic and corporate, constituting a public instrumentality and political subdivision of the state created for the performance of an essential public and governmental function, the Connecticut Development Authority which is empowered to carry out the purposes of the authority, as defined in subsection (t) of section 32-23d, which are hereby determined to be public purposes for which public funds may be expended. The Connecticut Development Authority shall not be construed to be a department, institution or agency of the state.
- 12 (b) All notes, bonds or other obligations issued by the Connecticut

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13 Development Commission for the financing of any project or projects 14 shall be in accordance with their terms of full force and effect and valid 15 and binding upon the authority as the successor to the Connecticut 16 Development Commission and with respect to any resolution, 17 contract, deed, trust agreement, mortgage, conditional sale or loan 18 agreement, commitment, obligation or liability or other such 19 document, public record, right, remedy, special act or public act, 20 obligation, liability or responsibility pertaining thereto, the authority 21 shall be, and shall be deemed to be, the successor to the Connecticut 22 Development Commission. All properties, rights in land, buildings 23 and equipment and any funds, moneys, revenues and receipts or 24 assets of such commission pledged or otherwise securing any such 25 notes, bonds or other obligations shall belong to the authority as 26 successor to the Connecticut Development Commission, subject to 27 such pledges and other security arrangements and to agreements with 28 the holders of the outstanding notes, bonds or other obligations. Any 29 resolution with respect to the issuance of bonds of the commission for 30 the purposes of the act and any other action taken by the commission 31 with respect to assisting in the financing of any project shall be, or shall 32 be deemed to be, a resolution of the authority or an action taken by the 33 authority subject only to any agreements with the holders of 34 outstanding notes, bonds or other obligations of the commission.

(c) The board of directors of the authority shall consist of the Commissioner of Economic and Community Development, the State Treasurer and the Secretary of the Office of Policy and Management, each serving ex officio, four members appointed by the Governor who shall be experienced in the field of financial lending or the development of commerce, trade and business and four members appointed as follows: One by the president pro tempore of the Senate, one by the minority leader of the Senate, one by the speaker of the House of Representatives and one by the minority leader of the House of Representatives. Each ex-officio member may designate a deputy or any member of the agency staff to represent the member at meetings of the authority with full powers to act and vote on the member's behalf. The chairperson of the board shall be appointed by the Governor, with

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the advice and consent of both houses of the General Assembly. The board shall annually elect one of its members as vice chairperson. Each member appointed by the Governor shall serve at the pleasure of the Governor but no longer than the term of office of the Governor or until the member's successor is appointed and qualified, whichever is longer. Each member appointed by a member of the General Assembly shall serve in accordance with the provisions of section 4-1a. Members shall receive no compensation but shall be reimbursed for necessary expenses incurred in the performance of their duties under the authority legislation, as defined in subsection (hh) of section 32-23d. The Governor shall fill any vacancy for the unexpired term of a member appointed by the Governor. The appropriate legislative appointing authority shall fill any vacancy for the unexpired term of a member appointed by such authority. A member of the board shall be eligible for reappointment. Any member of the board may be removed by the Governor for misfeasance, malfeasance or wilful neglect of duty. Each member of the authority before entering upon his or her duties shall take and subscribe the oath or affirmation required by article XI, section 1, of the State Constitution. A record of each such oath shall be filed in the office of the Secretary of the State. Meetings of the board shall be held at such times as shall be specified in the bylaws adopted by the board and at such other time or times as the chairperson deems necessary. The board is empowered to adopt bylaws and regulations for putting into effect the provisions of said chapters and sections. Not later than November first, annually, the authority shall submit a report to the Commissioner of Economic and Community Development, the Auditors of Public Accounts and the joint standing committees of the General Assembly having cognizance of matters relating to the Department of Economic and Community Development, appropriations and capital bonding, which shall include the following information with respect to new and outstanding financial assistance provided by the authority during the twelvemonth period ending on June thirtieth next preceding the date of the report for each financial assistance program administered by the authority: (1) A list of the names, addresses and locations of all

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recipients of such assistance, (2) for each recipient: (A) The business activities, (B) the Standard Industrial Classification Manual codes, (C) the gross revenues during the recipient's most recent fiscal year, (D) the number of employees at the time of application, (E) whether the recipient is a minority or woman-owned business, (F) a summary of the terms and conditions for the assistance, including the type and amount of state financial assistance, job creation or retention requirements, and anticipated wage rates, and (G) the amount of investments from private and other nonstate sources that have been leveraged by the assistance, (3) the economic benefit criteria used in determining which applications have been approved or disapproved, and (4) for each recipient of assistance on or after July 1, 1991, a comparison between the number of jobs to be created, the number of jobs to be retained and the average wage rates for each such category of jobs, as projected in the recipient's application, versus the actual number of jobs created, the actual number of jobs retained and the average wage rates for each such category. The report shall also indicate the actual number of full-time jobs and the actual number of part-time jobs in each such category and the benefit levels for each such subcategory. In addition, the report shall state (A) for each final application approved during the twelve-month period covered by the report, (i) the date that the final application was received by the authority, and (ii) the date of such approval; (B) for each final application withdrawn during the twelve-month period covered by the report, (i) the municipality in which the applicant is located, (ii) the Standard Industrial Classification Manual code for the applicant, (iii) the date that the final application was received by the authority, and (iv) the date of such withdrawal; (C) for each final application disapproved during the twelve-month period covered by the report, (i) the municipality in which the applicant is located, (ii) the Standard Industrial Classification Manual code for the applicant, (iii) the date that the final application was received by the authority, and (iv) the date of such disapproval; and (D) for each final application on which no action has been taken by the applicant or the agency in the twelvemonth period covered by the report and for which no report has been

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submitted under this subsection, (i) the municipality in which the applicant is located, (ii) the Standard Industrial Classification Manual code for the applicant, and (iii) the date that the final application was received by the authority. The November first report shall include a summary of the activities of the authority, including all activities to assist small businesses and minority business enterprises, as defined in section 4a-60g, a complete operating and financial statement and recommendations for legislation to promote the purposes of the authority. The authority shall furnish such additional reports upon the written request of any such committee at such times and containing such information as the committee may request. The accounts of the authority shall be subject to annual audit by the state Auditors of Public Accounts. The authority may cause an audit of its books and accounts to be made at least once each fiscal year by certified public accountants. The powers of the authority shall be vested in and exercised by not less than six of the members of the board of directors then in office. Such number of members shall constitute a quorum and the affirmative vote of a majority of the members present at a meeting of the board shall be necessary for any action taken by the authority. No vacancy in the membership of the board shall impair the right to exercise all the rights and perform all the duties of the authority. Any action taken by the board under the provisions of said chapters and sections may be authorized by resolution at any regular or special meeting, and each such resolution shall take effect immediately and need not be published or posted. The authority shall be exempt from the provisions of section 4-9a, as amended.

- (d) The board of directors of the authority may delegate to three or more of its members such board powers and duties as it may deem proper. At least one of such members shall not be a state employee.
- (e) The board of directors of the authority shall adopt written procedures, in accordance with the provisions of section 1-121, for: (1) Adopting an annual budget and plan of operations, including a requirement of board approval before the budget or plan may take effect; (2) hiring, dismissing, promoting and compensating employees

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of the authority, including an affirmative action policy and a requirement of board approval before a position may be created or a vacancy filled; (3) acquiring real and personal property and personal services, including a requirement of board approval for any nonbudgeted expenditure in excess of five thousand dollars; (4) contracting for financial, legal, bond underwriting and other professional services, including a requirement that the authority solicit proposals at least once every three years for each such service which it uses; (5) issuing and retiring bonds, bond anticipation notes and other obligations of the authority; (6) awarding loans, grants and other financial assistance, including (A) eligibility criteria, (B) the application process and the role played by the authority's staff and board of directors, [and including] (C) deadlines for the approval or disapproval of applications for such assistance by the authority on and after July 1, 1996, and (D) requiring the board of directors to approve any determination that an outstanding loan is not expected to be repaid; and (7) the use of surplus funds to the extent authorized under this chapter or other provisions of the general statutes.

(f) The board of directors of the authority shall appoint an executive director who shall not be a member of the board and who shall serve at the pleasure of the board and receive such compensation as shall be fixed by the board. The executive director may but need not be the deputy appointed under section 32-1d. He shall be the chief administrative officer of the authority and shall direct and supervise administrative affairs and technical activities in accordance with the directives of the board. He shall perform such other duties as may be directed by the board in carrying out the purposes of said chapters and sections. The executive director shall be exempt from the classified service. The executive director shall attend all meetings of the board, keep a record of the proceedings of the board and shall maintain and be custodian of all books, documents and papers filed with the authority and of the minute book or journal of the authority and of its official seal. He may cause copies to be made of all minutes and other records and documents of the authority and may give certificates under the official seal of the authority to the effect that such copies are

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true copies, and all persons dealing with the authority may rely upon such certificates.

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- (g) Each member of the board of directors of the authority shall execute a surety bond in the penal sum of fifty thousand dollars, or, in lieu thereof, the chairman of the board shall execute a blanket position bond covering each member and the executive director and the employees of the authority, each surety bond to be conditioned upon the faithful performance of the duties of the office or offices covered, to be executed by a surety company authorized to transact business in this state as surety and to be approved by the Attorney General and filed in the office of the Secretary of the State. The cost of each such bond shall be paid by the authority.
- (h) Notwithstanding any provision of the law, [to the contrary,] it shall not constitute a conflict of interest for a trustee, director, partner, officer, stockholder, proprietor, counsel or employee of any person, or for any other individual having a financial interest in any person, to serve as a member of the board of directors of the authority; provided such trustee, director, partner, officer, stockholder, proprietor, counsel, employee or individual shall (1) file with the authority a record of his capacity with or interest in such person and abstain and absent himself from any deliberation, action and vote by the board in specific respect to such person; (2) take no affirmative action to advance the interests of such person before the authority, including through contact on behalf of such person with authority staff or other members of the board of directors of the authority; (3) conform in all respects with all otherwise applicable laws concerning the conduct of such trustee, director, partner, officer, stockholder, proprietor, counsel, employee or individual as a member of the board of directors; and (4) not acquire a financial interest in any person whose application was approved for a period of three years after such approval.
- (i) The authority shall continue, as long as it shall have bonds or other obligations outstanding and until its existence is terminated by law. Upon the termination of the existence of the authority, all its

rights and properties shall pass to and be vested in the state of Connecticut.

- (j) Neither members of the board of directors of the authority nor any person executing the notes and bonds shall be liable personally on the notes or bonds or be subject to any personal liability or accountability by reason of the issuance thereof.
- (k) Repealed by P.A. 00-136, S. 9.

- (l) (1) The authority may establish one or more subsidiaries to stimulate, encourage and carry out the remediation, development and financing of contaminated property within this state, in coordination with the Department of Environmental Protection, and to provide financial, development and environmental expertise to others including, but not limited to, municipalities, interested in or undertaking such remediation, development or financing which are determined to be public purposes for which public funds may be expended. Each subsidiary shall be deemed a quasi-public agency for purposes of chapter 12. The authority may transfer to any such subsidiary any moneys and real or personal property. Each such subsidiary shall have all the privileges, immunities, tax exemptions and other exemptions of the authority.
 - (2) Each such subsidiary may sue and shall be subject to suit provided the liability of each such subsidiary shall be limited solely to the assets, revenues and resources of such subsidiary and without recourse to the general funds, revenues, resources or any other assets of the authority or any other subsidiary. No such subsidiary may provide for any bonded indebtedness of the state for the cost of any liability or contingent liability for the remediation of contaminated real property unless such indebtedness is specifically authorized by an act of the General Assembly. Each such subsidiary shall have the power to do all acts and things necessary or convenient to carry out the purposes of this subsection, section 12-81r, as amended, subsection (h) of section 22a-133m, subsection (a) of section 22a-133x, sections 22a-133aa, 22a-133bb and 22a-133dd, subsection (l) of section 22a-134, and

sections 22a-452f, 32-7e and 32-23pp to 32-23rr, inclusive, including, but not limited to, (i) solicit, receive and accept aid, grants or contributions from any source of money, property or labor or other things of value, to be held, used and applied to carry out the purposes of this subsection, section 12-81r, as amended, subsection (h) of section 22a-133m, subsection (a) of section 22a-133x, sections 22a-133aa, 22a-133bb and 22a-133dd, subsection (l) of section 22a-134, and sections 22a-452f, 32-7e and 32-23pp to 32-23rr, inclusive, subject to the conditions upon which such grants and contributions may be made, including but not limited to, gifts, grants or loans, from any department, agency or quasi-public agency of the United States or the state; (ii) enter into agreements with persons upon such terms and conditions as are consistent with the purposes of such subsidiary to acquire or facilitate the remediation, development or financing of contaminated real or personal property; (iii) to acquire, take title, lease, purchase, own, manage, hold and dispose of real and personal property and lease, convey or deal in or enter into agreements with respect to such property; (iv) examine, inspect, rehabilitate, remediate or improve real or personal property or engage others to do so on such subsidiary's behalf, or enter into contracts therefor; (v) mortgage, convey or dispose of its assets and pledge its revenues in order to secure any borrowing, for the purpose of financing, refinancing, rehabilitating, remediating, improving or developing its assets, provided each such borrowing or mortgage shall be a special obligation of such subsidiary, which obligation may be in the form of notes, bonds, bond anticipation notes and other obligations issued by or to such subsidiary to the extent permitted under this chapter to fund and refund the same and provide for the rights of the holders thereof, and to secure the same by pledge of revenues, notes or other assets and which shall be payable solely from the assets, revenues and other resources of such subsidiary; (vi) to create real estate investment trusts or similar entities or to become a member of a limited liability company or to become a partner in limited or general partnerships or establish other contractual arrangements with private and public sector entities as such subsidiary deems necessary to remediate,

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develop or finance environmentally contaminated property in the 289 state; and (vii) any other powers enumerated in subsection (e) of 290 section 32-23 necessary or appropriate to carry out the purposes of this subsection, subsection (h) of section 22a-133m, subsection (a) of section 292 22a-133x, sections 22a-133aa, 22a-133bb and 22a-133dd, subsection (l) 293 of section 22a-134, and sections 22a-452f, 32-7e, and 32-23pp to 32-23rr, 294 inclusive. The board of directors, executive director, officers and staff 295 of the authority may serve as members of any advisory or other board 296 which may be established to carry out the purposes of this subsection, 297 subsection (h) of section 22a-133m, subsection (a) of section 22a-133x, 298 sections 22a-133aa, 22a-133bb and 22a-133dd, subsection (l) of section 299 22a-134, and sections 22a-452f, 32-7e, and 32-23pp to 32-23rr, inclusive.

- (3) Each such subsidiary shall act through its board of directors at least one-half of which shall be members of the board of directors of the authority or their designees or officers or employees of the authority. A resolution of the authority shall prescribe the purposes for which each such subsidiary is formed.
- (4) The provisions of section 1-125 and this subsection shall apply to any officer, director, designee, or employee appointed as a member, director, or officer of any such subsidiary. Neither any such persons so appointed nor the directors, officers or employees of the authority shall be personally liable for the debts, obligations, or liabilities of any such subsidiary as provided in said section 1-125. Each subsidiary shall and the authority may provide for the indemnification to protect, save harmless and indemnify such officer, director, designee or employee as provided by said section 1-125.
 - (5) The authority or any such subsidiary may take such actions as are necessary to comply with the provisions of the Internal Revenue Code of 1986 or any subsequent corresponding internal revenue code of the United States, as from time to time amended, to qualify and maintain any such subsidiary as a corporation exempt from taxation under said Internal Revenue Code.
- 320 (6) The authority may make loans or grants to, and may guarantee

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specified obligations of, any such subsidiary, following standard authority procedures, from the authority's assets and the proceeds of its bonds, notes, and other obligations, provided however, that the source and security, if any, for the repayment of any such loans or guarantees is derived from the assets, revenues and resources of such subsidiary.

- (7) Notwithstanding any other provisions of law, the Commissioner of Environmental Protection shall issue to the authority or any subsidiary a covenant not to sue, pursuant to section 22a-133aa or section 22a-133bb, as applicable, without fee, as otherwise required in subsection (c) of said section 22a-133aa for the remediation of a facility in accordance with an approved remediation plan.
- 333 (m) The authority and any subsidiary of the authority shall review 334 each application for a loan, grant or other economic assistance in accordance with the criteria for such loan, grant or other economic 335 336 assistance established in procedures adopted pursuant to subdivision 337 (6) of subsection (e) of this section. The authority or subsidiary shall keep a written record of any review and decision approving or 338 339 rejecting an application. Such review and decision shall not be a public 340 record, as defined in section 1-200, unless approved.
 - (n) Not later than November first, annually, the authority and any subsidiary of the authority shall submit a report to the Commissioner of Economic and Community Development, the Auditors of Public Accounts and the joint standing committees of the General Assembly having cognizance of matters relating to economic and community development, appropriations and capital bonding, which shall include the following information with respect to new and outstanding financial assistance provided by the authority or its subsidiaries during the twelve-month period ending on June thirtieth next preceding the date of the report for each financial assistance program administered by the authority: (1) A list of the names, addresses and locations of all recipients of such assistance; (2) for each such recipient: (A) The business activities, (B) the Standard Industrial Classification Manual

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codes, (C) the gross revenues during the recipient's most recent fiscal vear, (D) the number of employees at the time of application, (E) whether the recipient is a minority or woman-owned business, (F) a summary of the terms and conditions for the assistance, including the type and amount of state financial assistance, job creation or retention requirements, and anticipated wage rates, and (G) the amount of investments from private and other nonstate sources that have been leveraged by the assistance; (3) the economic benefit criteria used in determining which applications have been approved or disapproved; and (4) for each recipient of assistance on or after July 1, 1991, a comparison between the number of jobs to be created, the number of iobs to be retained and the average wage rates for each such category of jobs, as projected in the recipient's application, versus the actual number of jobs created, the actual number of jobs retained and the average wage rates for each such category. The report shall also indicate the actual number of full-time jobs and the actual number of part-time jobs in each such category and the benefit levels for each such subcategory. The report shall include a summary of the activities of the authority and its subsidiaries, including all activities to assist small businesses and minority business enterprises, as defined in section 4a-60g, a complete operating and financial statement and recommendations for legislation to promote the purposes of the authority and its subsidiaries. The authority and its subsidiaries shall furnish such additional information upon the written request of any such joint standing committee.

- Sec. 2. Section 32-35 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2006*):
 - (a) There is hereby created a body politic and corporate to be known as "Connecticut Innovations, Incorporated". Such corporation is constituted a public instrumentality and political subdivision of the state and the exercise by the corporation of the powers conferred in this chapter shall be deemed and held to be the performance of an essential public and governmental function. Connecticut Innovations, Incorporated shall not be construed to be a department, institution or

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(b) The corporation shall be governed by a board of fifteen directors. Eight members shall be appointed by the Governor, at least six of whom shall be knowledgeable, and have favorable reputations for skill, knowledge and experience, in the development of innovative technology and technological processes including, but not limited to, expertise in academic research, technology transfer and application, the development of technological invention and new enterprise development. Three members shall be the Commissioner of Economic and Community Development, the Commissioner of Higher Education and the Secretary of the Office of Policy and Management, who shall serve ex officio and shall have all of the powers and privileges of a member of the board of directors. Each ex-officio member may designate his deputy or any member of his staff to represent him at meetings of the corporation with full power to act and vote in his behalf. Four members shall be appointed as follows: One by the president pro tempore of the Senate, one by the minority leader of the Senate, one by the speaker of the House of Representatives and one by the minority leader of the House of Representatives. Each member appointed by the Governor shall serve at the pleasure of the Governor but no longer than the term of office of the Governor or until the member's successor is appointed and qualified, whichever is longer. Each member appointed by a member of the General Assembly shall serve in accordance with the provisions of section 4-1a. A director shall be eligible for reappointment. The Governor shall fill any vacancy for the unexpired term of a member appointed by the Governor. The appropriate legislative appointing authority shall fill any vacancy for the unexpired term of a member appointed by such authority.

(c) The chairperson of the board shall be appointed by the Governor, with the advice and consent of both houses of the General Assembly. The directors shall annually elect one of their number as secretary. The board may elect such other officers of the board as it deems proper. Members shall receive no compensation for the performance of their duties hereunder but shall be reimbursed for

necessary expenses incurred in the performance thereof.

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(d) Each director of the corporation before entering upon his duties shall take and subscribe the oath or affirmation required by article eleventh, section 1, of the Constitution. A record of each such oath or affirmation shall be filed in the office of the Secretary of the State. The board of directors of the corporation shall adopt written procedures, in accordance with the provisions of section 1-121, for: (1) Adopting an annual budget and plan of operations, including a requirement of board approval before the budget or plan may take effect; (2) hiring, dismissing, promoting and compensating employees corporation including an affirmative action policy and a requirement of board approval before a position may be created or a vacancy filled; (3) purchasing, leasing or acquiring real and personal property and personal services, including a requirement of board approval for any nonbudgeted expenditure in excess of five thousand dollars; (4) contracting for financial, legal, bond underwriting and other professional services, including a requirement that the corporation solicit proposals at least once every three years for each such service which it uses; (5) awarding loans, grants and other financial assistance, including (A) eligibility criteria, (B) the application process, [and] (C) the role played by the corporation's staff and board of directors and the Department of Economic and Community Development and including deadlines for the approval or disapproval of applications for such assistance by the corporation on and after July 1, 1996, and (D) requiring the board of directors to approve any determination that an outstanding loan is not expected to be repaid; and (6) the use of surplus funds to the extent authorized under this chapter, or other provisions of the general statutes.

(e) Notwithstanding the provisions of any other law, [to the contrary,] it shall not constitute a conflict of interest for a trustee, director, partner or officer of any person, firm or corporation, or any individual having a financial interest in a person, firm or corporation, to serve as a member of the board of directors of Connecticut Innovations, Incorporated, provided such trustee, director, partner,

officer or individual shall (1) abstain from deliberation, action or vote 456 457 by Connecticut Innovations, Incorporated in specific respect to such 458 person, firm or corporation, (2) take no affirmative action to advance the interests of such person before the corporation, including through 459 460 contact on behalf of such person with the corporation, staff or other 461 members of the board of directors of the corporation, (3) conform in all 462 respects with all otherwise applicable laws concerning the conduct of such trustee, director, partner, officer, stockholder, proprietor, counsel, 463 464 employee or individual as a member of the board of directors, and (4) 465 not acquire a financial interest in any person whose application was 466 approved for a period of three years after such approval.

- (f) The corporation shall have the authority to contract with the Department of Economic and Community Development for administrative or other services.
- (g) As of October 1, 1989, all powers, duties and personnel of the Connecticut Product Development Corporation shall be transferred to Connecticut Innovations, Incorporated, in accordance with the provisions of section 4-38d. As of October 1, 1989, all cash, notes, receivables, liabilities, appropriations, authorizations, allocations, and all other assets and properties of the Connecticut Product Development Corporation shall be transferred to Connecticut Innovations, Incorporated. Such transfer shall not affect the validity, enforceability or binding nature of any contract or agreement for financial aid made by the Connecticut Product Development Corporation under the authorization of this chapter prior to October 1, 1989.

This act shall take effect as follows and shall amend the following sections:				
Section 1	October 1, 2006	32-11a		
Sec. 2	October 1, 2006	32-35		

CE Joint Favorable Subst. C/R

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GAE Joint Favorable

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 07 \$	FY 08 \$
CT Innovations Inc. (quasi-public)	None	See Below	See Below
CT. Development Auth. (quasi-	None	See Below	See Below
public)			

Municipal Impact: None

Explanation

It is anticipated that the workload increase due to the adoption of written procedures, increased review and approval procedures, and the increased reporting requirements of the subsidiaries could be handled within the resources of the Connecticut Development Authority and Connecticut Innovations, Inc.

The Out Years

None

OLR Bill Analysis sHB 5096

AN ACT CONCERNING ACCOUNTABILITY IN STATE ECONOMIC DEVELOPMENT ASSISTANCE.

SUMMARY:

The bill tightens the conflict of interest requirements that apply to specific members of the boards of directors of the Connecticut Development Authority (CDA) and Connecticut Innovations, Inc. (CII). These requirements apply to people who are involved in a business while serving on the boards.

The bill also tightens the procedures under which CDA and CII must review and approve applications for financial assistance. Under the bill, both agencies must adopt written procedures requiring their boards to approve any determination that a borrower is not expected to repay an outstanding loan. The bill imposes additional procedural requirements on CDA and its subsidiaries.

Lastly, the bill requires CDA's subsidiaries to submit annual reports on the businesses and other entities they assist. The report is similar to the one CDA submits to the legislature and other specified parties.

EFFECTIVE DATE: October 1, 2006

CONFLICT OF INTEREST

Under current law, a CDA or CII board member who is also involved in a business must do two things to avoid a conflict of interest. He must disclose to the agency how he is involved in the business. And, if the business becomes involved with the agency, he must refrain from discussing, acting, or voting in any matter regarding the business.

The bill also requires him to comply with all the other laws governing board members and do nothing to help the business in its dealings with the agency. The latter includes contacting the staff or other board members on the business' behalf.

The bill also addresses situations in which a member acquires a financial interest in a business after the agency approved its application for financial assistance. In these cases, the bill bans the member from acquiring an interest for three years after the agency approved the application.

APPLICATION REVIEW AND APPROVAL

The bill explicitly requires CDA and its subsidiaries to review and approve applications for financial assistance according to the written procedures and criteria CDA adopted for this purpose. It also requires them to keep a record of each review and the subsequent decision. The record becomes public only if CDA or the subsidiary approved the application.

REPORTING REQUIREMENT

The bill requires CDA's subsidiaries to report most of the same information CDA reports to the legislature, state auditors, and the economic and community development commissioner. The report is due November 1 annually and must cover the most recently completed fiscal year.

The report must provide data on new and outstanding loans, grants, and other assistance the subsidiaries provided under CDA's programs. It must identify each recipient and the amount and type of assistance it received or is repaying. It must also summarize the terms and conditions for receiving the assistance and amount of money the recipient leveraged from private and other nonstate sources. The report must include the criteria used to determine the economic benefits of providing assistance.

It must specify each recipient's

- 1. address and location,
- 2. business activities,
- 3. Standard Industrial Classification Manual code,
- 4. gross revenue during the entity's most recently completed fiscal year, and
- 5. total employment when it applied for assistance.

The report must also indicate if a recipient is a firm owned by a minority or woman.

The report must track the extent to which each recipient met specific goals. It must compare the number of jobs a recipient said it would create and retain when it applied for assistance and the number of jobs it actually created and retained. It must indicate how many of these jobs are full- or part-time. It must also compare each recipient's projected and actual wage rates. The report must break down this information by job category and subcategory.

The reports must summarize the subsidiaries' activities, including those assisting small- and minority-owned businesses, and provide complete operating and financial statements and legislative recommendations. The subsidiaries must provide any additional information to the legislative committees if they request it in writing.

BACKGROUND

Economic Development Agencies

CDA and CII, along with the Department of Economic and Community Development, run the state's economic development programs. CDA is a quasi-public agency governed by a gubernatorially appointed board. It makes and guarantees business loans under several different programs and gets most of its funding from state general obligation bonds. It has one subsidiary—the Connecticut Brownfields Redevelopment Authority, which provides funds and technical assistance for cleaning up contaminated property.

CII is also a quasi-public agency governed by a gubernatorially appointed board. It provides investment capital to entrepreneurs, university researchers, and businesses researching and developing new products and technologies.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute Change of Reference

Yea 29 Nay 0 (03/14/2006)

Government Administration and Elections Committee

Joint Favorable

Yea 19 Nay 0 (03/24/2006)